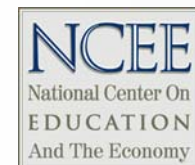


A stylized, close-up graphic of the American flag, showing the stars and stripes in a dynamic, flowing manner. The stars are white on a dark blue background, and the stripes are red and white.

TOUGH CHOICES TOUGH TIMES

THE REPORT OF THE *new* COMMISSION ON
THE SKILLS OF THE AMERICAN WORKFORCE



Commissioners

Charles Knapp, *Chairman*
Director of Educational
Development
CF Foundation

Marc S. Tucker, *Vice-Chairman
and Staff Director*
President
National Center on Education
and the Economy

Morton Bahr
President Emeritus
Communications Workers
of America

William Brock
Chairman
The Brock Offices

Judy B. Coddling
President and CEO
America's Choice, Inc.

Michael Dolan
Executive Vice President and
Chief Financial Officer
Viacom

David Driscoll
Commissioner of Education
Massachusetts

Paul Elsner
President
Paul Elsner Associates

John Engler
President
National Association of
Manufacturers

Steve Gunderson
President and CEO
Council on Foundations

Clifford Janey
Superintendent
District of Columbia
Public Schools

Sharon Lynn Kagan
Virginia & Leonard Marx
Professor of Early Childhood
and Family Policy
Teachers College,
Columbia University

Joel I. Klein
Chancellor
New York City Public Schools

Dal Lawrence
Past President
Toledo Federation of Teachers

Commissioners cont.

Ray Marshall
Audre and Bernard Rapoport
Centennial Chair in Economics
and Public Affairs
L. B. J. School of Public Affairs
University of Texas at Austin

Marc H. Morial
President and CEO
National Urban League

Beverly O'Neill
Former Mayor
Long Beach, California

Roderick Paige
Chairman
Chartwell Education Group
LLC

Thomas W. Payzant
Former Superintendent
Boston Public Schools

Charles B. Reed
Chancellor
California State University
System

Richard Riley
Partner
Nelson, Mullins, Riley
and Scarborough LLP

Henry Schacht
Managing Director
Warburg Pincus LLC

Susan Sclafani
Managing Director
Chartwell Education Group LLC

Harry Spence
Commissioner
Massachusetts Department
of Social Services

Sara Martinez Tucker
President and CEO
Hispanic Scholarship Fund
(Resigned from Commission 9/06)

William Wiggernhorn
President of Consulting Services
Educational Development
Associates

Our Analysis of the Challenge

A Changing World

- **India, China, Other Developing Countries** producing large numbers of young people with top mathematics and analytical skills
- **Result:** Professionals available on the world market in a wide range of fields for a fraction of what U.S. professionals charge

Global Employers Have Choice of World's Workers

- World supply of **highly skilled**, relatively **low pay** workers rapidly increasing
- Employers aggressively searching for lowest cost workers at **every** skill level

The Economic and Educational Challenge

- Our **1990** report said the problem was our **low-skilled** workers
- Now, our **high skills, medium skill and low skill workers** are being underbid by workers in lower cost countries
- **Entire American standard of living will slide if we do not do something**

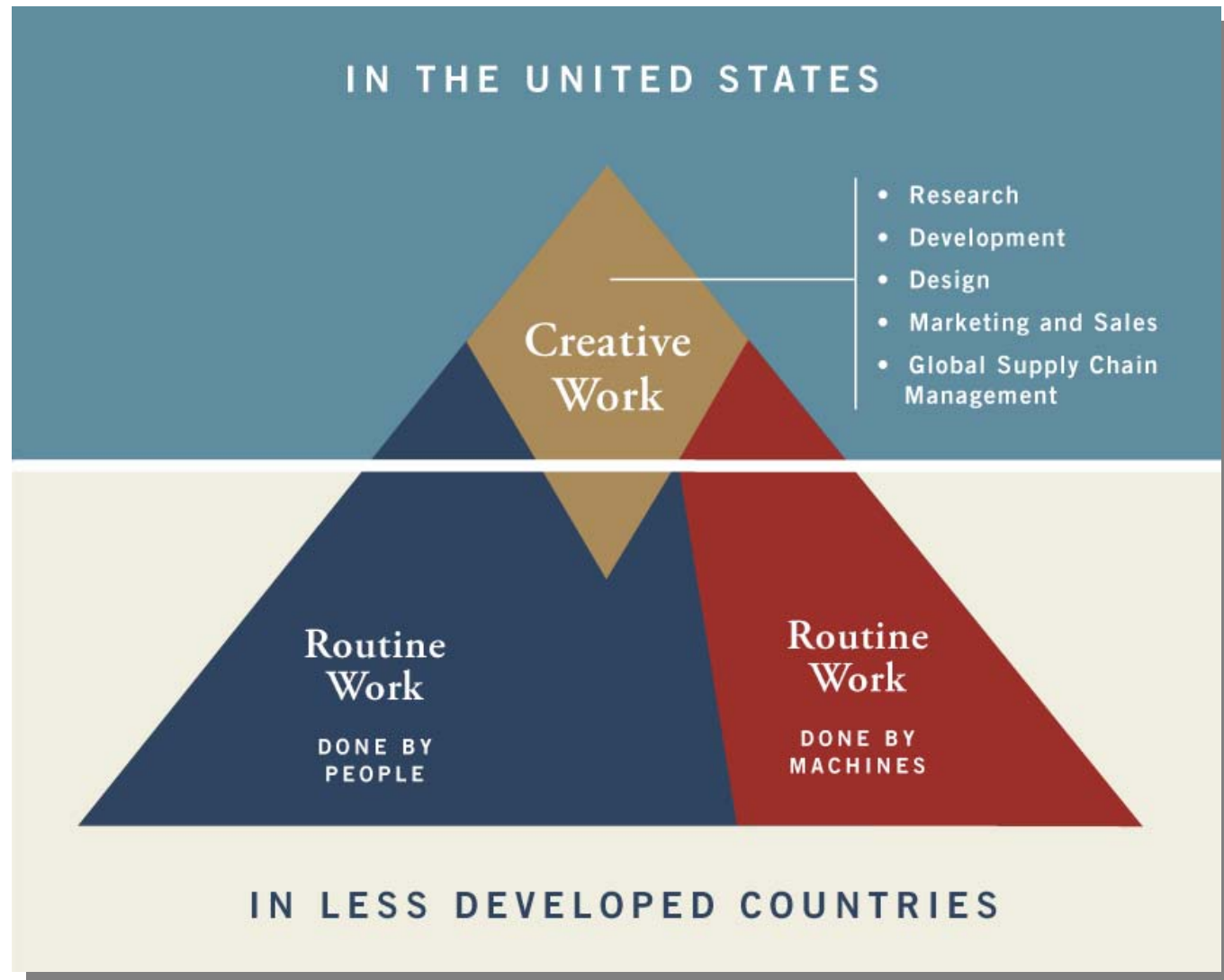
Who Is Most At Risk?

- People at all skill and pay levels who do **routine work**
- Because that is the **easiest work to automate** or send offshore

Who Will Pay High Wages?

- Employers and industries that are **on the technology and creative frontiers**
- Because they demand the **best-educated, most creative workers** at every level of the industry (think the entertainment industry)
- Only those firms can earn the margins that will be needed to attract and compensate such people

Profile of Successful U.S. Firms in the Future



Why Should They Pick Ours?

Q: Why should employers pick our graduates?

A: They won't — unless:

- Unless we can match their academic performance and
- Exceed them in creativity, innovative capacity and ability to learn quickly

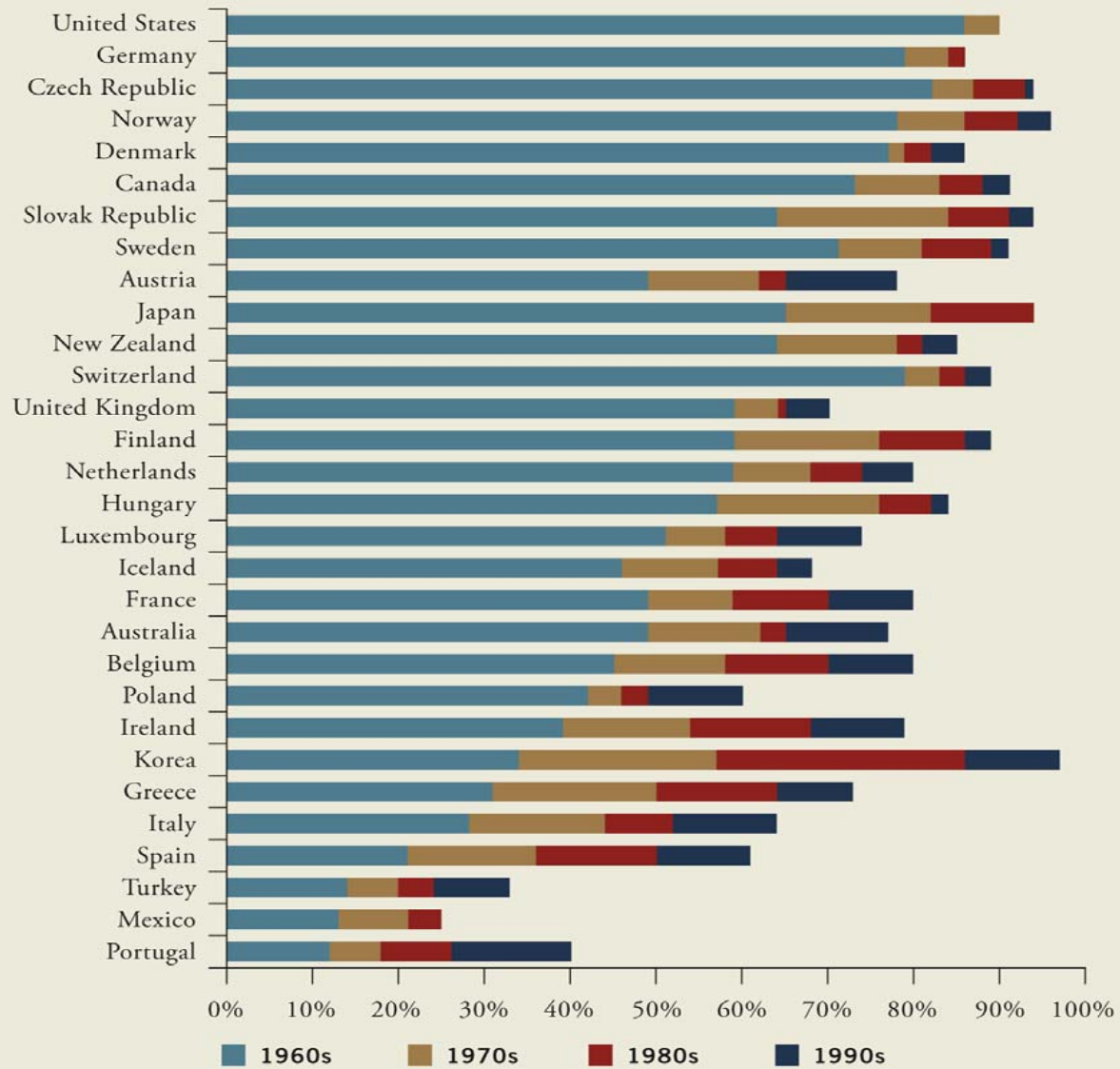
Profile of Successful Workers

- Top academic performance
- Creative and innovative
- Able to learn very quickly

Capacity of Our System to Meet These Requirements

- Proportion of our population being educated, compared to other countries?
- Quality of education, compared to other countries?
- Cost of our system, compared to other countries?
- What we get for our money, compared to other countries?

PERCENT OF WORKING-AGE ADULTS COMPLETING HIGH SCHOOL

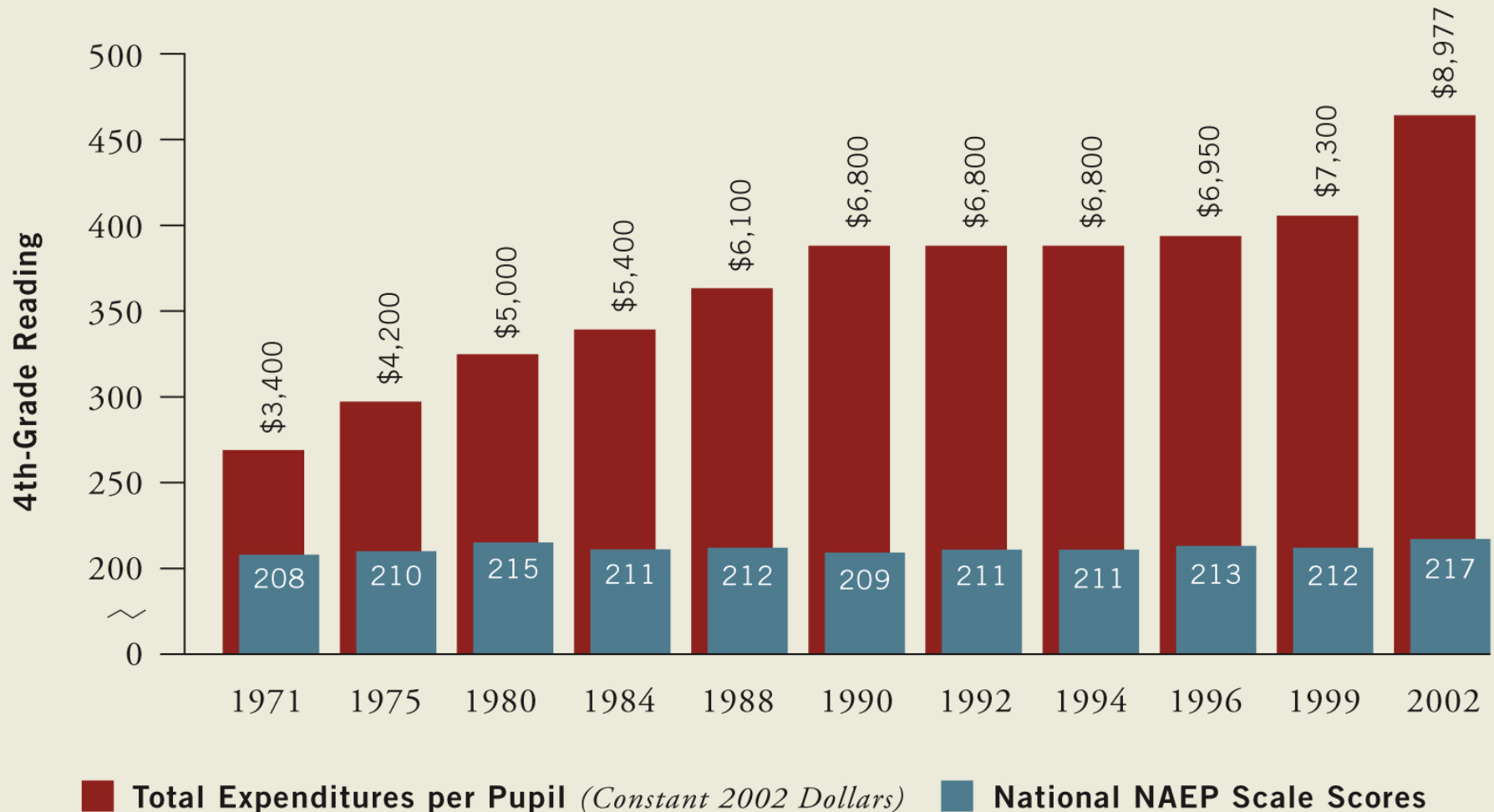


Quality of Our Graduates

Mediocre

- High school students perform **at or below** the median on PISA and TIMSS
- Our young adults in the labor market score at “**mediocre**” levels on the best international measure of their performance

U.S. Education System: Small Gains at Ever-Higher Cost



Sources: NCES NAEP Trends in Academic Progress Through 1999; NCES Digest of Education Statistics 2003.

Portrait of a Failing System



The Current System Isn't Up to the Job

Tried and failed:

- more money
- more programs
- more initiatives

THE PROBLEM IS THE SYSTEM!

Our Proposals

Building A

New System

for the 21st Century

First Principles

- **Recruit teachers** from the top third
- Let students **go on when ready**
- **Reprogram funds** for higher payoff
- **Create** lean, performance-oriented **management systems**
- **Create incentives** for schools to perform
- **Give schools room** to innovate

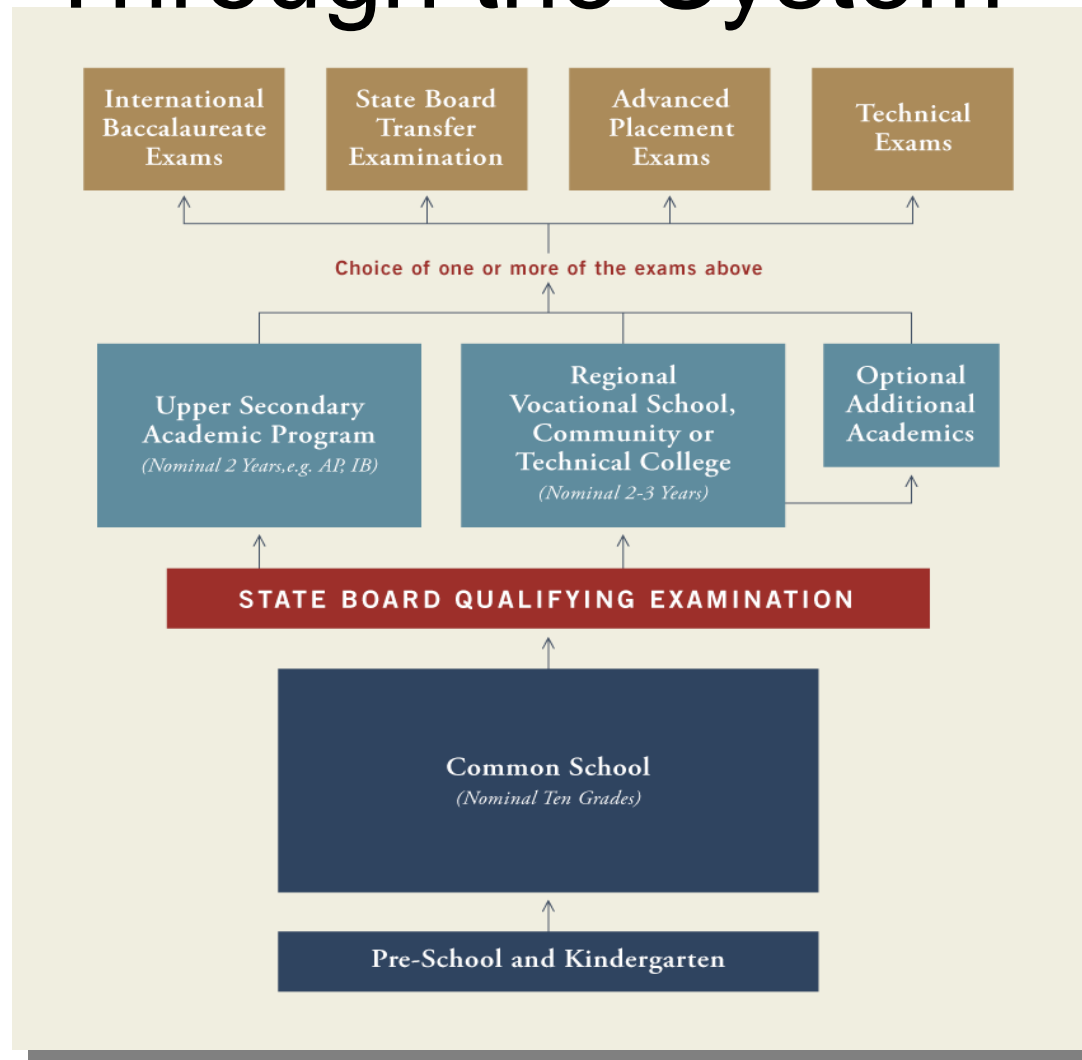
First Principles

- **Create a fair financing** system so all kids have a good shot at success
- **Reform** our nineteenth century **governance** system for 21st century results
- Fewer, much **higher quality tests**
- Create the same **opportunities for working adults**

Step 1: Assume We Do Job Right the 1st Time

- Most students pass exam set to skills needed to do college level work **at age 16**
 - 95% by the end of high school
 - The rest can continue to challenge it
- Students **automatically admitted** to state community or technical colleges when they pass
- Those who pass at higher level **stay in high school to take IB, AP or similar program**

The New Progression Through the System



Step 2: More Efficient Use of Resources

- **Enormous savings: \$60 B**
 - fewer years in high school for most students
 - no remediation of students in college
- **Less: \$10 B**
 - More high school graduates
- **Additional Funds: \$8 B**
- **Total Investment Funds Available: \$58 B**

Step 3: Invest in Early Childhood Education

\$19+ B for high quality early childhood education available to all:

- All 4-year-olds
- Low-income 3-year-olds

Step 4: Recruit Teachers From the Top Third of College Grads

- **\$19+ B** to provide:
- **New starting pay** = current median pay
- Top would be **\$95,000, \$110,000** for full year teachers
- **Abolish pay based on seniority**; instead base it on student performance, career ladder, incentives for shortage occupations, etc.

Step 5: Create High Performance Schools, Districts Everywhere

- Districts **write performance contracts** with 3rd party organizations to run schools
- All contract schools to be **public schools**

Step 5: Create High Performance Schools, Districts Everywhere

- All schools to be directly **funded by the state**
- **Uniform base funding** for all students plus **increments for:**
 - children from low-income families
 - students in which English is not spoken at home
 - the mildly disabled, the severely disabled, etc.

Step 5: Create High Performance Schools, Districts Everywhere

- Portfolio of contract schools managed to **produce steady improvements in student performance**
- **Teachers employed by state, but no job until hired by a school**

Step 6: Provide Strong Support to Disadvantaged Students

- **\$18+ B 'tops up'** school funding
- Makes possible:
 - extended day schools
 - extensive screening and diagnostic support
 - supports for physical and learning disabilities
 - tutoring, counselors and mentors

Step 7: Rebuild Standards, Assessment and Curriculum

- **Improve quality, reduce number of tests**
- Federal government to create limited number of **national literacy and math tests** at lower grades

Step 7: Rebuild Standards, Assessment and Curriculum

- States to adopt and create **world class syllabus-driven high school exams**
- **Curriculum based on** mastery of key ideas and concepts, core facts and procedures and capacity for creativity and innovation

While K-12 Reforms Are Urgent

- K-12 reforms would not directly affect the skills, productivity, and earnings of the year 2021 core workforce
- Unless we boost competitiveness of active adult workforce now, we may lose too much ground before the effects of K-12 reforms take hold

The Adult Workforce

- **U.S labor force in the year 2021 will include 165 million people, but:**
 - **Will not include** any child born in 2006 or later;
 - **Will include** 100 million people out of school and at work today; and
 - **Two-thirds of these workers** will remain part of the active workforce at least through the next decade

Skills of the Adult Workforce

- 31 million adults out of school without high school credential
 - Nearly 20% of all adults
 - 33% of foreign-born adults
- In fact, U.S. adults with diploma ranked last in literacy proficiency among peers in 19 high income nations

Skills of the Adult Workforce

- Lack of formal education and skills reinforced in the workplace
- Work related training less likely for less educated
 - 17% for high school grads
 - 44 % for college grads

Source: National Household Education Survey Program of 2005: Adult Education Participation in 2004-2005

Labor Market Turbulence

- Since the year 2000, about 8 million jobs are gained and 8 million lost each quarter in U.S.
- We estimate about 24 million jobs moderately vulnerable to offshoring based on nature of work -- about 1 in 6
- BLS says between ages 18 and 40, boomers had 5 spells of unemployment and 10.5 jobs

From Global to Regional

- **Regions matter** -- economic regions are where complementary firms and industries, suppliers, investors, university R&D, and skilled workers join forces to create competitive advantage
- **Regional strategies** are needed to transform new knowledge and ideas into new products and services, better jobs and higher incomes

Step 8: Provide Free Education For All to New Standard

- **Federal guarantee:** All members of the workforce 16 years old and older have access to a free education up to the new high school standard (ready for college level work)
- **Gateway** to further learning
- **Many venues for adults** to get that education in appropriate form

Provide Free Education For All to New Standard (continued)

- Feds would finance educational services for all adults who have completed 9th grade
- States responsible for remedial, ramp up and ESL services to help adults become eligible for the federal guarantee
- If we triple current take up rate for GED could add about 2.5 million adult students per year

Step 9: Create New Personal Accounts — Lifelong Learning Support

- Federal government creates **tax-protected account** for every child when born, deposits \$500 in it, \$100 each year thereafter up to age 16
- Individual, parents, state, employers **can contribute** to this account
- Feds would match for low wage workers
- Individual can withdraw funds only for **educational** purposes

Create New Personal Accounts — Lifelong Learning Support (continued)

- By age 16 with interest, account worth \$3,200
- After 5 years of low wage work and \$5 per week contributions, total account with interest worth \$7,000 for work related learning
- Would not replace student financial aid

Step 10: Create Regional Economic Growth Authorities

- Federal government to authorize states and localities to **create regional jobs, skills and growth authorities** to combine economic development, adult education and job training
- Authorities to be **appointed by local and state** officials and headed by key business leaders
- **Strategic allocation of economic development, job training, adult and technical education resources** to be guided by local and regional economic growth goals and strategies

Create Regional Economic Growth Authorities (continued)

- The new regional authorities would be empowered to issue **tax-exempt bonds** to finance:
 - job training, as well as
 - economic development activities
- Training for low skilled new entrants and current workers
- Authorities oversee adult and technical education in support of region's critical industry sectors

“The Commission provides a 21st century formula for workforce development: think regional, eliminate structures that no longer serve our needs, and create universal access to quality education and training.”

Joseph Carbone, President and CEO, The WorkPlace, Inc.,
Southwestern Connecticut's Workforce Development Board

Thank you -- for further information:

Tough Choices or Tough Times:

www.skillscommission.org

National Center on Education and the Economy:

www.ncee.org

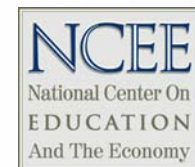
Ray Uhalde

ruhalde@ncee.org



TOUGH CHOICES TOUGH TIMES

THE REPORT OF THE *new* COMMISSION ON
THE SKILLS OF THE AMERICAN WORKFORCE



®